

SCHWEIZERISCHE BANKIERVEREINIGUNG
ASSOCIATION SUISSE DES BANQUIERS
ASSOCIAZIONE SVIZZERA DEI BANCHIERI

~~CONFIDENTIAL~~

Translation

For internal guidance only.

Basle, 29th August 1952.
No. 64 D.

To the Managements of the Member Banks.

Dear Sirs,

Re: West-East-Trade.

In connection with our circulars to the Managements of the Member Banks of 18th December 1950, relating to "camouflage operations" and of 28th May 1951 dealing with the matter in caption, we would again draw your attention to the great importance which is being attached to transactions directly or indirectly involving Chinese or North Korean interests, or which have to do with the delivery of strategically important materials to the countries of the so-called Eastern Bloc.

After new and careful examination of this matter, we strongly recommend maintaining the utmost reserve with respect to such transactions, not only in your own interest, but also in that of Swiss Banking generally, and of Swiss economic relations with foreign countries.

In place of our previous instructions the following

D i r e c t i v e s

are now to be observed:

A. Trade with the countries of the so-called Eastern-Bloc in general.

1. E x p o r t o f S w i s s p r o d u c t s t o E a s t e r n B l o c c o u n t r i e s:

By the Executive Orders of 30th January 1951, 15th May 1951, 18th June 1951 and 3rd September 1951, regarding the supervision of imports and exports together with the arrangements based on these orders, our authorities have taken the necessary measures, on the trade sector, for the safeguarding of Swiss interests. In principle therefore, there should be no difficulty about the financial settlement of deliveries covered by a Swiss export permit. This is also valid for the export of Swiss goods not requiring export permits, with the exception of strategically important materials (see 3 e below).

2. **I m p o r t** into Switzerland of products coming from Eastern Bloc countries. Where possible, the import of goods from the countries in question should be settled in Swiss francs.
3. **T r a n s i t b u s i n e s s .**
It is advisable to show the greatest reserve and to observe the following precautionary measures:
 - a) The Bank must know the final destination of the merchandise.
 - b) Documentary letters of credit must be opened only if cover in Swiss francs has been provided.
 - c) Documentary letters of credit that are transferable to foreign countries must be opened and transferred in such a manner that the supplier has knowledge of the final destination of the merchandise. No "broken" letters of credit. Letters of credit that are transferable more than once should be declined, since supervision and control over the transaction and therefore over the observance of these directives would become impossible.
 - d) Where the merchandise is subject to an export permit of the country of origin, this must be produced, showing clearly the country of destination.
 - e) No transactions must be handled where the merchandise involved is of strategic importance, such as steel, scrap, iron, metal sheets, non-ferrous metals, chemical products of military importance, anti-biotics, machine tools, ball-bearings, weapons, ammunition etc.
 - f) For merchandise which is imported into Switzerland and subsequently re-exported, a written Swiss export authorization must be submitted where required. If the merchandise merely passes through Switzerland in transit, without going through customs, i.e. under seal, or if it is stored in a Swiss free trade-zone and subsequently shipped elsewhere without having been imported into Switzerland through the customs, no Swiss export permit is necessary. However, the export permit of the country of origin, mentioned under 3) above is required.
4. Clean payments, i.e. payments where the relative order does not contain any reference to shipments of merchandise, may be executed, provided the name of the party ordering the payment is disclosed to the beneficiary (see 7, 8 and 11 below, however).

B. Trade with China * and North Korea in particular.

In trading with China and North Korea the following regulations in particular are to be observed:

- *) Formosa is not included with China. On the other hand, these directives are applicable where there is no conclusive evidence that goods shipped to Hong Kong are for use exclusively within the British Crown Colony.

I. US Dollar-payments.

5. Banks may permit no dispositions (debits, transfers, conversions into other currencies or payments) of dollar holdings inside or outside the United States, by the holder of the account or other entitled person, where the bank concerned has reason to believe that Chinese or North Korean interests may be involved with the holding.
6. No new U.S. dollar accounts inside or outside the United States where there is reason to believe that Chinese or North Korean interests are involved, should be opened, respectively no disposition of amounts which are credited to such accounts should be made according to paragraph 5 above.
7. Clean payments in U.S. Dollars by order of U.S. banks and other foreign banks, and in which the Swiss bank has no reason to believe that Chinese or North Korean interests exist, may be made without further inquiries. However, if there is any reason to believe that such interests may be involved, the circumstances should be carefully examined; the fact of domicile of the beneficiary in a country of the so-called Eastern Bloc outside China or North Korea does not necessarily mean that Chinese or North Korean interests may be involved. However since a strong possibility exists that such interests may be concerned, payments of this kind should be treated with special care.
8. Clean dollar payments in favour of American or other foreign banks may be made without further inquiries except in cases in which there is reason to believe that Chinese or North Korean interests may be involved. If there is reason to suspect this, the circumstances should be carefully examined. In cases of payments coming from countries of the so-called Eastern Bloc, the name of the party ordering the payment has to be given to the beneficiary. It may be left to the party ordering the payment and representing Chinese or North Korean interests to ask for the necessary license required for such a transaction in USA.
9. U.S. Dollar banknotes in large amounts should not be bought or sold for obviously Chinese or North Korean accounts. This does not mean, however, that restrictions should be introduced in dealing in dollar currency notes nor will it be necessary to establish the identity of buyer and seller. Where dollar banknote purchases and sales (except among member banks of our association) of \$ 100,000.- or more are concerned, the operating bank should make certain if possible that no Chinese or North Korean interests are involved.
10. In cases of dollar payments where because it had reason to believe that Chinese or North Korean interests may be involved the bank has made inquiries and is satisfied that no such interests exist (such as in cases

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involving trade with Eastern Europe) it might none the less be advisable for the bank to ask the respective parties for the necessary authorization with a view to avoiding or reducing damage. Considering Article 273 of the Swiss Penal Code it is advisable for banks involved in cases which come within the scope of the said Article to consult in good time the Federal Political Department.

II. Swiss Franc Payments.

11. Payments in Swiss francs or other currencies than U.S. dollars from and to China or North Korea, or from and to persons or firms in which Chinese or North Korean interests are involved, are permitted, provided that these transactions imply no US dollar payment, and no reference is made to US currency (e.g. in invoices, insurance policies, etc.). However, where Swiss franc payments from China or North Korea, or in general payments from the countries of the Eastern Bloc are concerned, the name of the person ordering the payment should be given to the beneficiary; (see 4. above.) In connection with the financing of transit business, see 12. below. It is advisable to finance all Swiss exports to, and imports from China and North Korea in Swiss francs, or if occasion arises, in a third currency, but not in US dollars.
12. Transit operations with China or North Korea should also be avoided, even though financing can be made in Swiss francs and other currencies than US dollars, particularly with respect to goods of strategic importance. There is, however, no objection to financing through Swiss francs, exports covered by Swiss export licenses.

III.

13. Transactions ordered by or in favour of the following persons or firms are considered as involving Chinese or North Korean interests:
 - a) persons or firms domiciled in China or North Korea or controlled by,
 - b) Chinese or North Korean citizens, where these are not domiciled in Switzerland, Western Europe, America or other countries of the so-called "authorized trade territory", together with citizens of any nationality (including Chinese and North Korean) who have at any time since 17th December 1950 been resident in China or North Korea,
 - c) persons or firms not mentioned under a) and b) above, but considered as being agents of trade with China or North Korea or otherwise agents of these countries ("under cover" agents).

Yours faithfully,

SWISS BANKERS' ASSOCIATION

The President: The Secretary:
C. de Loës. E. Roesle.